

# FISCAL NOTE

**Bill #:** SB0074

**Title:** Clarify eligibility of land for valuation as nonqualified agricultural land

**Primary Sponsor:** Story, B

**Status:** As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$0	\$0
State Special Revenue	\$0	\$0
<b>Revenue:</b>		
General Fund	\$0	\$52,022
State Special Revenue	\$0	\$3,286
<b>Net Impact on General Fund Balance:</b>	\$0	\$52,022

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input type="checkbox"/> Technical Concerns            |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

1. This proposal will change the requirements for classification of certain lands as Class 3 agricultural land, and provides a definition for the term “non-qualified agricultural land”. “Non-qualified agricultural land” includes parcels of land of 20 acres or more but less than 160 acres not eligible for valuation as agricultural land.
2. Under the proposal, non-qualified agricultural land that is subdivided or that has restrictions on agricultural use may not be classified and assessed as Class 3 agricultural land.
3. Under current law, non-qualified agricultural land has a uniform statewide value of \$41.97 per acre.
4. Under current law, non-qualified agricultural land is taxed at the rate of 23.10% ( $7 \times 3.3\% = 23.10\%$ ).
5. The department has classified 775,472 acres as non-qualified agricultural land. Non-qualified lands currently generate \$3,573,822 in property tax revenue. The statewide average mill levy assessed against non-qualified agricultural land is 475.31 mills.
6. Of the identified non-qualified acres, approximately 19.5%, or 151,217 acres are in subdivisions. The department cannot ascertain which subdivisions may have agricultural limitations in their covenants. For purposes of this fiscal note, it is assumed that 20% (30,243 acres) of the current non-qualified acreage is located in subdivisions, and would be subject to limitations on agricultural use under this bill.

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(continued)

7. A review of the department's records indicates that 6,130 acres of non-qualified land is located in municipalities, and is assumed to be ineligible for agricultural classification under this proposal as well.
8. An estimated total of 36,373 (30,243+6,130) acres would be affected by this proposal. Under the proposal, these lands would be classified and taxed as Class 4 land.
9. Under the proposal, 739,099 acres would continue to be classified and valued as Class 3 non-qualified agricultural land ( $775,472 - 36,373 = 739,099$ ). These lands would continue to generate \$3,405,902 in property tax revenue.
10. The market value of rural tracts of land varies greatly between eastern and western Montana. For purposes of this fiscal note, an average market value of \$750.00 per acre is used on the lands that would not be eligible for Class 3 designation under this proposal.
11. Under current law, the 36,373 acres have a taxable value of \$352,639 ( $36,373 \times \$41.97/\text{ac} \times 23.10\% = \$352,639$ ).
12. Under the proposal, the 36,373 acres would have a taxable value of \$900,232 ( $36,373 \times \$750 \times 3.3\% = \$900,232$ ).
13. The difference in taxable value is \$547,593 ( $\$900,232 - \$352,639$ ).
14. Under the proposal, FY 2007 revenue to the state general fund (95 mills) is projected to increase \$52,022 ( $\$547,593 \times 0.095$ ).
15. The 6 mill state university account would receive an increase of \$3,286 ( $\$547,593 \times 0.006$ ) in FY 2007.
16. The department does not anticipate any additional administrative expense to administer this proposal.
17. The proposal applies to tax years beginning after December 31, 2005 (FY 2007).

### FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)		\$52,022
State Special Revenue (02)		\$3,286
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)		\$52,022
State Special Revenue (02)		\$3,286

### EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

There is an increase in Class 4 property taxable value associated with this bill. However, under 15-10-420, MCA local government units have limitations placed on them regarding the revenue that may be generated each year. It is not expected that this bill will provide any windfall property tax revenue for local government units.